

Message Text

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ACTION NEA-10

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H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01
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SUBJECT: SOVIET/EGYPTIAN TRADE PROTOCOL

REF: CAIRO 5404

1. ECONCOUNS AND EMBOFF HAD TWO-HOUR MEETING MARCH 30 WITH SOVIET DCM AKOPOV. TALKS CENTERED AROUND RECENTLY SIGNED SOVIET/EGYPTIAN TRADE PROTOCOL, STATE OF EGYPT'S ECONOMY, AND EGYPTIAN REACTION TO BREZNEV MIDDLE EAST SPEECH. (SEE SEPTTEL).

2. AKOPOV CONFIRMED THAT FIGURES CITED REFTEL WERE ESSENTIALLY CORRECT, BUT ADDED CAVEAT THAT EGYPTIAN POUND FIGURES ONLY A PROXIMATE AS ACTUAL VALUE OF COMMODITIES STILL UNDER STUDY. FROM GENERAL DRIFT OF DISCUSSION IT APPEARED SOVIETS QUIETLY PLEASED WITH RESULTS OF TRADE PROTOCOL. AKOPOV STATED THAT DESPITE POLITICAL AND MILITARY DIFFERENCES WITH GOE, TRADE RELATIONS HAD REMAINED RELATIVELY CONSTANT. HE EMPHASIZED OFFICIAL USSR POLICY IS TO ENCOURAGE TRADE WITH EGYPT IN ORDER TO KEEP AND EVEN WIDEN DOOR BETWEEN TWO
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COUNTRIES.

3. ACCORDING TO AKOPOV, SOVIETS HAD GONE OUT OF THEIR WAY TO ACCOMMODATE EGYPTIANS IN 1977 PROTOCOL POINTING TO COTTON, ALUMINUM, AND COAL QUOTAS IN 1977 PROTOCOL. UNDER 1976 PROTOCOL, USSR IMPORTED APPROX. 53,707 TONS EGYPTIAN COTTON. AT GOE REQUEST, QUOTA CUT TO 30,000

TONS IN 1977 ALLOWING EGYPT TO SELL DIFFERENCE AT HIGHER PRICE IN HARD CURRENCY MARKETS. ACCORDING AKOPOV, 2,000 TONS ALUMINUM TO BE IMPORTED SYMBOLIC OF SOVIET'S ATTITUDE AS USSR HAS NO NEED OF ADDITIONAL ALUMINUM. (PLANT AT NAG HAMMADI IS USSR BUILT.) AKOPOV STATED GOE HAD REQUESTED 1.2 MILLION TONS COAL AND USSR TRIED TO ACCOMMODATE IN 1977 PROTOCOL. HOWEVER, USSR BELIEVES ACTUAL EGYPTIAN REQUIREMENT FOR COAL TO BE CLOSER TO 800-900 THOUSAND TONS COAL AND SOVIETS WILL PROVIDE MAJOR SHARE OF THAT (I.E. 600,000 TONS). ALL CONSIDERED, SOVIETS EXPECT GOE TO HAVE SMALL TRADE SURPLUS AS A RESULT OF PROTOCOL, AN EVENT NOT DISPLEASING TO USSR.

4. ACCORDING TO AKOPOV, SOVIETS CONCERNED OVER SIZE OF EGYPT'S SHORT TERM DEBTS COMING DUE IN 1977. POINT TO CHART DERIVED FROM PRESS FIGURES, AKOPOV NOTED GOE FACING SHORTFALL OF APPROXIMATELY LE 2.5 BILLION AND SPECULATED AS TO POSSIBLE SOURCES OF NEEDED ASSISTANCE. EMBOFFS OUTLINED VARIOUS STEPS BEING TAKEN BY GOE, NOTING THAT UPCOMING SESSION OF CONSULTATIVE GROUP WILL BE CRUCIAL TO GOE'S EFFORT TO COPE WITH PROBLEM. AKOPOV BROUGHT UP SUBJECT OF GOE DEBT TO USSR STATING IT NOT DISCUSSED DURING PROTOCOL NEGOTIATIONS AND THERE HAS NOT BEEN ANY CHANGE IN USSR POSITION. AKOPOV GRUDINGLY ADMITTED SOVIET FAILURE TO PRESS DEBT ISSUE RESULTS IN EFFECT, IN DEBT MORATORIUM, BUT EMPHASIZED THAT NOT POLICY OF SOVIET GOVERNMENT. ACCORDING TO AKOPOV, EXPECTED GO TRADE SURPLUS UNDER 1977 PROTOCOL WILL NOT BE USED TO PAY OFF EGYPTIAN DEBT, BUT WILL BE CREDITED TO CLEARING ACCOUNT. SURPRISINGLY AL LIMITED OFFICIAL USE

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AKHBAR NEWSPAPER REPORTED APRIL 1 SOVIET TRADE SURPLUS OF LE 73 MILLION UNDER 1976 PROTOCOL. PRESUMABLY ANY GOE SURPLUS IN 1977 WOULD BE USED TO REDUCE ABOVE SURPLUS THROUGH CLEARING ACCOUNT.

5. COMMENT. AKOPOV IS AN OLD "EGYPTIAN HAND" HAVING SERVED IN EGYPT FOR OVER FIFTEEN YEARS (HE TOLD EMBOFFS THAT HE EXPECTS TO BE TRANSFERRED BACK TO MOSCOW SOMETIME DURING THIS SUMMER) AND HIS ALLEGED CONCERN FOR EGYPT'S PLIGHT REMINISCENT OF CROCODILE TEARS. USSR COULD BEST AID EGYPT BY RESCHEDULING DEBT INSTEAD OF ALLOWING GOE TRADE SURPLUS UNDER NEW PROTOCOL. AKOPOV SEEMS CLEARLY SATISFIED WITH PROTOCOL AND LACK OF PUBLICITY SURROUNDING IT RESULT GOE NOT SOVIET POLICY. EMBOFFS FOUND AKOPOV'S CLAIM THAT USSR INTENDED TO PUSH TRADE RELATIONS WITH GOE REGARDLESS OF POLITICAL VICISSITUDES PARTICULARLY INTRIGUING.
MATTHEWS

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